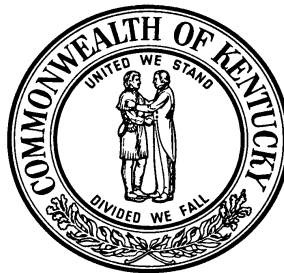


**REPORT OF THE AUDIT OF THE
SPENCER COUNTY
CLERK**

**For The Year Ended
December 31, 2010**



**CRIT LUALLEN
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EXECUTIVE SUMMARY

AUDIT EXAMINATION OF THE SPENCER COUNTY CLERK

**For The Year Ended
December 31, 2010**

The Auditor of Public Accounts has completed the Spencer County Clerk's audit for the year ended December 31, 2010. Based upon the audit work performed, a qualified opinion was issued on the financial statement.

Report Comments:

- 2010-01 The County Clerk Should Expend Public Funds For Allowable Purposes Only
- 2010-02 The County Clerk Should Have Deposited All Receipts Into The Fee Bank Account
- 2010-03 The County Clerk Should Not Cash Personal Checks And Should Turn All Non-Sufficient Fund Checks Over To The County Attorney
- 2010-04 The County Clerk Should Eliminate The \$35,962 Deficit In The 2010 Fee Account
- 2010-05 The County Clerk Should Improve Daily Receipt Checkout Procedures

Deposits:

The County Clerk's deposits were insured and collateralized by bank securities.

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CRIT LUALLEN
AUDITOR OF PUBLIC ACCOUNTS

The Honorable Bill Karrer, Spencer County Judge/Executive
The Honorable Judy Puckett, Spencer County Clerk
Members of the Spencer County Fiscal Court

Independent Auditor's Report

We have audited the accompanying statement of revenues, expenditures, and excess fees - regulatory basis of the County Clerk of Spencer County, Kentucky, for the year ended December 31, 2010. This financial statement is the responsibility of the County Clerk. Our responsibility is to express an opinion on this financial statement based on our audit.

Except as discussed below, we conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, and the Audit Guide for County Fee Officials issued by the Auditor of Public Accounts, Commonwealth of Kentucky. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 1, the County Clerk's office prepares the financial statement on a regulatory basis of accounting that demonstrates compliance with the laws of Kentucky, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

We were unable to obtain supporting documentation to determine the amount of cash receipts collected during the year for notary fees, faxes, and Sheriff's inspection fees, nor were we able to satisfy ourselves as to the total cash collected in notary fees, faxes, and Sheriff inspection fees by other auditing procedures.

In our opinion, except for the effects of such adjustments, if any, as might have been determined to be necessary had we been able to examine evidence regarding the cash collected for notary fees, faxes, and Sheriff inspection fees, the financial statement referred to above presents fairly, in all material respects, the revenues, expenditures, and excess fees of the County Clerk for the year ended December 31, 2010, in conformity with the regulatory basis of accounting described in Note 1.



The Honorable Bill Karrer, Spencer County Judge/Executive
The Honorable Judy Puckett, Spencer County Clerk
Members of the Spencer County Fiscal Court

Our audit was conducted for the purpose of forming an opinion on the financial statement taken as a whole. The schedule of excess of liabilities over assets is presented for purposes of additional analysis and is not a required part of the financial statement. Such information has been subjected to auditing procedures applied in the audit of the financial statement and, in our opinion, except for the effects of the limitation described in paragraph four above, is fairly stated in all material respects in relation to the financial statement taken as a whole.

In accordance with Government Auditing Standards, we have also issued our report dated September 12, 2011 on our consideration of the Spencer County Clerk's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Based on the results of our audit, we have presented the accompanying comments and recommendations, included herein, which discusses the following report comments:

- 2010-01 The County Clerk Should Expend Public Funds For Allowable Purposes Only
- 2010-02 The County Clerk Should Have Deposited All Receipts Into The Fee Bank Account
- 2010-03 The County Clerk Should Not Cash Personal Checks And Should Turn All Non-Sufficient Fund Checks Over To The County Attorney
- 2010-04 The County Clerk Should Eliminate The \$35,962 Deficit In The 2010 Fee Account
- 2010-05 The County Clerk Should Improve Daily Receipt Checkout Procedures

This report is intended solely for the information and use of the County Clerk and Fiscal Court of Spencer County, Kentucky, and the Commonwealth of Kentucky and is not intended to be and should not be used by anyone other than these specified parties.

Respectfully submitted,



Crit Luallen
Auditor of Public Accounts

September 12, 2011

SPENCER COUNTY
JUDY PUCKETT, COUNTY CLERK
STATEMENT OF REVENUES, EXPENDITURES, AND EXCESS FEES - REGULATORY BASIS

For The Year Ended December 31, 2010

Revenues

HB 537 State Revenue Supplement	\$ 61,845
State Fees For Services	5,179
Library and Archives Grant	12,322
Fiscal Court	5,110

Licenses and Taxes:

Motor Vehicle-

Licenses and Transfers	\$ 536,283
Usage Tax	860,101
Lien Release Fees	13,050
Tangible Personal Property Tax	1,486,399
Miscellaneous Income	3,679

Other-

Fish and Game Licenses	4,479
Marriage Licenses	3,053
Deed Transfer Tax	51,413
Delinquent Tax	276,707
	3,235,164

Fees Collected for Services:

Recordings-

Deeds, Easements, and Contracts	9,739
Bail Bonds	44
Fixture Filing	197
Leases	99
Liens & Lis Pendens	9,102
Real Estate Mortgages	41,384
Chattel Mortgages and Financing Statements	37,088
Powers of Attorney	1,638
Releases	9,035
Wills, Estate Settlements, & Accom	468
Affordable Housing Trust	24,624
Notary Fees, Faxes & Sheriff Inspection Fees	23,573
Miscellaneous Recordings	3,897

The accompanying notes are an integral part of this financial statement.

SPENCER COUNTY
 JUDY PUCKETT, COUNTY CLERK
 STATEMENT OF REVENUES, EXPENDITURES, AND EXCESS FEES - REGULATORY BASIS
 For The Year Ended December 31, 2010
 (Continued)

Revenues (Continued)

Fees Collected for Services: (Continued)

Charges for Other Services-

Candidate Filing Fees	\$	1,790	
Copywork		9,764	
Postage		<u>18</u>	\$ 172,460

Other:

Misc Income/Refunds/Bank Credit Memos		1,663	
Refunds/Overpayments		<u>31,686</u>	33,349

Interest Earned			<u>1,298</u>
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Total Revenues			3,526,727
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Expenditures

Payments to State:

Motor Vehicle-

Licenses and Transfers	\$	374,927	
Usage Tax		834,399	
Tangible Personal Property Tax		529,356	
Licenses, Taxes, and Fees-			
Fish and Game Licenses		4,509	
Delinquent Tax		25,193	
Legal Process Tax		14,753	
Affordable Housing Trust		<u>24,624</u>	1,807,761

Payments to Fiscal Court:

Tangible Personal Property Tax		123,854	
Delinquent Tax		18,740	
Deed Transfer Tax		<u>48,842</u>	191,436

Payments to Other Districts:

Tangible Personal Property Tax		772,133	
Delinquent Tax		<u>149,446</u>	921,579

The accompanying notes are an integral part of this financial statement.

SPENCER COUNTY
 JUDY PUCKETT, COUNTY CLERK
 STATEMENT OF REVENUES, EXPENDITURES, AND EXCESS FEES - REGULATORY BASIS
 For The Year Ended December 31, 2010
 (Continued)

Expenditures (Continued)

Payments to Sheriff	\$	24,148	
Payments to County Attorney		37,597	
Operating Expenditures:			
Personnel Services-			
Deputies' Salaries	\$	201,387	
Part-Time Salaries		15,514	
Employee Benefits-			
Employer's Paid Health Insurance		37,688	
Contracted Services-			
Microfilming & Indexing		50,812	
Tax Bill Preparation		4,126	
Materials and Supplies-			
Office Supplies		26,243	
Deed, Mortgage Book, etc		16,047	
Office Repairs/Cleaning		4,320	
Other Charges-			
Clerk's Insurance & Bonds		39	
Legal Fees		1,200	
Dues and Memberships		2,288	
Miscellaneous Clerk Expense		4,080	
Conventions and Travel		26,285	
Bank Service Charge		137	
Grant Expenditures		12,322	
Postage		5,297	
Refunds		40,430	
Miscellaneous		6,745	454,960
Total Expenditures	\$		3,437,481
Less: Disallowed Expenditures			13,048
Total Allowable Expenditures			3,424,433

The accompanying notes are an integral part of this financial statement.

SPENCER COUNTY
 JUDY PUCKETT, COUNTY CLERK
 STATEMENT OF REVENUES, EXPENDITURES, AND EXCESS FEES - REGULATORY BASIS
 For The Year Ended December 31, 2010
 (Continued)

Net Revenues		\$	102,294
Less: Statutory Maximum			<u>76,104</u>
Excess Fees			26,190
Less: Expense Allowance	\$	3,600	
Training Incentive Benefit		<u>3,624</u>	<u>7,224</u>
Excess Fees Due County for 2010			18,966
Payments to Fiscal Court - April 15, 2011			<u>2,345</u>
Balance Due Fiscal Court at Completion of Audit		\$	<u><u>16,621</u></u>

The accompanying notes are an integral part of this financial statement.

SPENCER COUNTY
NOTES TO FINANCIAL STATEMENT

December 31, 2010

Note 1. Summary of Significant Accounting Policies

A. Fund Accounting

A fee official uses a fund to report on the results of operations. A fund is a separate accounting entity with a self-balancing set of accounts. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

A fee official uses a fund for fees to account for activities for which the government desires periodic determination of the excess of revenues over expenditures to facilitate management control, accountability, and compliance with laws.

B. Basis of Accounting

KRS 64.820 directs the fiscal court to collect any amount, including excess fees, due from the County Clerk as determined by the audit. KRS 64.152 requires the County Clerk to settle excess fees with the fiscal court by March 15 each year.

The financial statement has been prepared on a regulatory basis of accounting, which demonstrates compliance with the laws of Kentucky and is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Under this regulatory basis of accounting, revenues and expenditures are generally recognized when cash is received or disbursed with the exception of accrual of the following items (not all-inclusive), at December 31 that may be included in the excess fees calculation:

- Interest receivable
- Collection on accounts due from others for 2010 services
- Reimbursements for 2010 activities
- Payments due other governmental entities for December tax and fee collections and payroll
- Payments due vendors for goods or services provided in 2010

The measurement focus of a fee official is upon excess fees. Remittance of excess fees is due to the County Treasurer in the subsequent year.

C. Cash and Investments

At the direction of the fiscal court, KRS 66.480 authorizes the County Clerk's office to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

SPENCER COUNTY
NOTES TO FINANCIAL STATEMENT
December 31, 2010
(Continued)

Note 2. Employee Retirement System

The county official and employees have elected to participate in the County Employees Retirement System (CERS), pursuant to KRS 78.530 administered by the Board of Trustees of the Kentucky Retirement Systems. This is a cost sharing, multiple employer defined benefit pension plan, which covers all eligible full-time employees and provides for retirement, disability and death benefits to plan members. Benefit contributions and provisions are established by statute.

Nonhazardous covered employees are required to contribute 5 percent of their salary to the plan. Nonhazardous covered employees who begin participation on or after September 1, 2008 are required to contribute 6 percent of their salary to the plan. The county's contribution rate for nonhazardous employees was 16.16 percent for the first six months and 16.93 percent for the last six months.

Benefits fully vest on reaching five years of service for nonhazardous employees. Aspects of benefits for nonhazardous employees include retirement after 27 years of service or age 65. Nonhazardous employees who begin participation on or after September 1, 2008 must meet the rule of 87 (members age plus years of service credit must equal 87, and the member must be a minimum of 57 years of age) or the member is age 65, with a minimum of 60 months service credit.

Historical trend information showing the CERS' progress in accumulating sufficient assets to pay benefits when due is presented in the Kentucky Retirement Systems' annual financial report. This report may be obtained by writing the Kentucky Retirement Systems, 1260 Louisville Road, Frankfort, KY 40601-6124, or by telephone at (502) 564-4646.

Note 3. Deposits

The Spencer County Clerk maintained deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC) as required by KRS 66.480(1)(d). According to KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the County Clerk and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution.

Custodial Credit Risk - Deposits

Custodial credit risk is the risk that in the event of a depository institution failure, the County Clerk's deposits may not be returned. The Spencer County Clerk does not have a deposit policy for custodial credit risk but rather follows the requirements of KRS 41.240(4). As of December 31, 2010, all deposits were covered by FDIC insurance or a properly executed collateral security agreement.

SPENCER COUNTY
 NOTES TO FINANCIAL STATEMENT
 December 31, 2010
 (Continued)

Note 4. Library and Archives Grant

The Spencer County Clerk had an existing local records microfilming grant from the Kentucky Department for Libraries and Archives. The beginning balance was \$12,279. Interest totaling \$43 was received during the year and funds totaling \$12,322 were expended during the year. The unexpended grant balance was \$0 as of December 31, 2010.

Note 5. Lease

The Spencer County Clerk's office was committed to the following lease agreements as of December 31, 2010:

Item Purchased	Monthly Payment	Term Of Agreement	Ending Date	Principal Balance December 31, 2010
Hardware	\$ 1,630	12 Months	4/13/2011	\$ 4,890
Software	2,055	12 Months	4/13/2011	6,165
	<u>\$ 3,685</u>			<u>\$ 11,055</u>

SPENCER COUNTY
JUDY PUCKETT, COUNTY CLERK
SCHEDULE OF EXCESS OF LIABILITIES OVER ASSETS - REGULATORY BASIS

December 31, 2010

Assets

Cash in Bank	\$ 87,075
Deposits in Transit	32,300
Receivables	<u>20,754</u>
Total Assets	140,129

Liabilities

Paid Obligations:

Outstanding Checks	\$ 11,038
Motor Vehicle Licenses	11,291
Usage Tax	1,553
Tangible Personal Property Tax	89,238
Affordable Housing Trust	6,318
Legal Process Tax	1,290
Deed Transfer Tax	5,500
Payroll Withholdings	9,303
Occupational Tax	755
Indexing/Equipment & Software	409
Postage	59
Books, Maps, etc	140
Fish and Game Licenses	191
Bank Service Charges	40
Excess Fees - 2010	<u>2,345</u>
Total Paid Obligations	\$ 139,470

Unpaid Obligations:

Amount due to 2011 Fee Acct	20,000
2010 Excess Fees due Spencer County Fiscal Court	<u>16,621</u>
Total Unpaid Obligations	<u>36,621</u>

Total Liabilities	<u>176,091</u>
Total Fund Deficit as of December 31, 2010	<u><u>\$ (35,962)</u></u>

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND
ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE FINANCIAL
STATEMENT PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS



CRIT LUALLEN
AUDITOR OF PUBLIC ACCOUNTS

The Honorable Bill Karrer, Spencer County Judge/Executive
The Honorable Judy Puckett, Spencer County Clerk
Members of the Spencer County Fiscal Court

Report On Internal Control Over Financial Reporting And
On Compliance And Other Matters Based On An Audit Of The Financial
Statement Performed In Accordance With Government Auditing Standards

We have audited the statement of revenues, expenditures, and excess fees - regulatory basis of the Spencer County Clerk for the year ended December 31, 2010, and have issued our report thereon dated September 12, 2011, wherein we issued a qualified opinion because the Clerk did not deposit some receipts collected in her office. The County Clerk's financial statement is prepared in accordance with a basis of accounting other than generally accepted accounting principles. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Spencer County Clerk's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statement, but not for the purpose of expressing an opinion on the effectiveness of the County Clerk's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the County Clerk's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying comments and recommendations, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses and another deficiency that we consider to be a significant deficiency.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying comments and recommendations as items 2010-02, 2010-03, and 2010-04 to be material weaknesses.



Report On Internal Control Over Financial Reporting And
On Compliance And Other Matters Based On An Audit Of The Financial
Statement Performed In Accordance With Government Auditing Standards
(Continued)

Internal Control Over Financial Reporting (Continued)

A *significant deficiency* is a deficiency or a combination of deficiencies in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in the accompanying comment and recommendation as item 2010-05 to be a significant deficiency.

Compliance And Other Matters

As part of obtaining reasonable assurance about whether the Spencer County Clerk's financial statement for the year ended December 31, 2010, is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance or other matters that is required to be reported under Government Auditing Standards and which is described in the accompanying comment and recommendation as item 2010-01.

The Spencer County Clerk's responses to the findings identified in our audit are included in the accompanying comments and recommendations. We did not audit the County Clerk's responses and, accordingly, we express no opinion on them.

This report is intended solely for the information and use of management, the Spencer County Fiscal Court, and the Department for Local Government and is not intended to be and should not be used by anyone other than these specified parties.

Respectfully submitted,



Crit Luallen
Auditor of Public Accounts

September 12, 2011

COMMENTS AND RECOMMENDATIONS

SPENCER COUNTY
JUDY PUCKETT, COUNTY CLERK
COMMENTS AND RECOMMENDATIONS

For The Year Ended December 31, 2010

STATE LAWS AND REGULATIONS:

2010-01 The County Clerk Should Expend Public Funds For Allowable Purposes Only

During the test of expenditures and payroll, auditors noted \$13,048 in expenditures that are not considered allowable expenses of a County Clerk's office. These expenditures were not reasonable, not necessary for the function of the office, personal in nature, and/or were not supported by adequate documentation. In accordance with Funk v. Milliken, 317 S.W.2d 499 (KY 1958), expenses made through the fee account must be necessary for the operation of the office, reasonable in amount, beneficial to the public, not predominantly personal in nature, and supported by adequate documentation. The following schedule provides a breakdown of the expenditures made from the Clerk's fee account that are not allowable under Funk v. Milliken:

<u>Reason</u>	<u>Amount</u>	<u>Explanation</u>
Insufficient Documentation:		
	\$ 6,454.70	Overtime Paid To Deputies Not Recorded On Timesheets
	1,825.00	Contract Labor Paid To Family Members With No Supporting Documentation
	300.00	Contract Labor Paid With No Supporting Documentation
	<u>1,813.90</u>	Checks Written To The County Clerk With No Supporting Documentation
	\$ 10,393.60	Total Disallowed Due To Insufficient Documentation
Unnecessary:		
	\$ 275.00	Sam's Club Memberships For Deputies
	94.77	Sales Tax Paid
	458.67	Book Donation To School
	1,760.00	Lump Sum Checks Written To Deputies For Working Elections
	<u>65.39</u>	Food On Election Day
	\$ 2,653.83	Total Disallowed Unnecessary Expenditures
	<u>\$ 13,047.43</u>	Total Disallowed Expenditures

We recommend the County Clerk ensure that proper documentation be maintained to support all expenditures and ensure that all expenditures are reasonable and necessary for the operations of the office.

County Clerk's Response: Individuals are paid for service in which are conducted here in our office. Contracts we had. All receipts were put in the document folder, time worked time paid. To help a child read is a small token for anyone.

Auditor Reply: Auditors repeatedly asked for the supporting documentation to substantiate the expenditures listed above. No supporting documentation could be provided by the deputy clerk nor the County Clerk.

SPENCER COUNTY
JUDY PUCKETT, COUNTY CLERK
COMMENTS AND RECOMMENDATIONS
For The Year Ended December 31, 2010
(Continued)

INTERNAL CONTROL - MATERIAL WEAKNESSES:

2010-02 The County Clerk Should Have Deposited All Receipts Into The Fee Bank Account

During receipts testing, auditors noted certain fees were manually added to the certificate of registrations and were not recorded in the receipts ledger nor deposited. The handwritten fees consisted of additional charges that were added to the vehicle registration cost such as notary fees, insurance fax fees, and Sheriff inspection fees. Per office staff, sheriff inspection fees were turned over to the Sheriff's office and all other unrecorded fees were collected from the customers and then placed in an envelope from which the office staff were permitted to use cash to purchase their lunches.

Auditors tested one day a month for calendar year 2010 and found a total of \$527 in handwritten notary fees, insurance fax fees, and Sheriff inspection fees that were not recorded in the Clerk's receipts ledger system nor deposited into the bank account. These handwritten fees were shown as a cash credit on the customers' receipt. The total cash credit for calendar year 2010 that we were able to identify was \$23,573. This amount is reflected on the financial statement. Due to the deputy clerks not always recording these fees in the Clerk's accounting system and not consistently writing the fees on the certificate of registration, not all fees are shown as a cash credit on the customer's receipt. Therefore, the total fees not recorded or deposited for calendar year 2010 could be more than the amount reported on the financial statement. Auditors researched this practice further and found that the total cash credit for calendar year 2009 was \$26,030. This practice had not been reported to auditors in prior years.

Management's lack of controls over the receipt process led to the failure to record and deposit all receipts which understates the receipts ledger and provides less excess fees to be turned over to fiscal court. Under the guidance of KRS 68.210, the Department of Local Government has established requirements for all local government officials handling public funds. These requirements include "daily deposits intact into a federally insured banking institution". We recommend the County Clerk record and deposit all funds received intact daily. This matter will be referred to the Attorney General's office for further investigation.

County Clerk's Response: Fees in office purchase cleaning supplies and small office supplies. Sheriff inspection fees have always been collected in our office since they started charging for the fee. All monies collected was turned over to the Sheriff Office.

Auditor Reply: All money collected by the County Clerk's office must be deposited intact daily to the Clerk's financial institution. Cash must never be removed from a deposit and all expenditures must be made by check.

SPENCER COUNTY
JUDY PUCKETT, COUNTY CLERK
COMMENTS AND RECOMMENDATIONS
For The Year Ended December 31, 2010
(Continued)

INTERNAL CONTROL - MATERIAL WEAKNESSES: (Continued)

2010-03 The County Clerk Should Not Cash Personal Checks And Should Turn All Non-Sufficient Fund Checks Over To The County Attorney

During receipts testing, auditors noted personal checks from citizens were cashed in the Clerk's office. Total checks cashed were \$11,461 in calendar year 2010 and \$6,687 in calendar year 2009. In calendar year 2010, one of the checks that was cashed was from a County Clerk's family member in the amount of \$150 and it was deemed non-sufficient funds on the bank statement. This check was not re-deposited nor turned over to the County Attorney for collection. Upon further investigation into prior years, auditors found personal checks belonging to the County Clerk that were cashed in the office, returned for non-sufficient funds, and were never re-deposited nor turned over to the County Attorney. The total of the Clerk's personal non-sufficient funds checks cashed in 2008 totaled \$1,300 and \$1,425 in 2007.

The lack of effective internal controls over receipts led to the commingling of public and private funds which is prohibited by statute. Per KRS 64.850, "It shall be unlawful for any county official to deposit public funds with individual or private funds in any bank or other depository or for any such official to withdraw public funds for any purpose other than that for which they were received and deposited."

We recommend the County Clerk's office stop cashing personal checks. Also, we recommend all non-sufficient fund checks be re-deposited or turned over to the County Attorney for collection. The check from the family member for \$150 should be collected and deposited into the 2010 account and turned over as additional excess fees. In addition, the Clerk should deposit \$2,725 from personal funds to cover the non-sufficient funds checks cashed by her in 2007 and 2008 to be turned over to the county as additional excess fees for those years.

County Clerk's Response: This office is audited every year. We have cashed checks here in this office, but just not mine. I was not made aware of these items mention.

2010-04 The County Clerk Should Eliminate The \$35,962 Deficit In The 2010 Fee Account

The County Clerk is responsible for a deficit of \$35,962 in the official fee account as of December 31, 2010. The deficit is due to \$23,573 in unrecorded and undeposited receipts, and \$13,048 in disallowed expenditures. The Clerk owes \$35,962 of personal funds and needs to collect \$508 from the County Attorney for non-sufficient fund checks and \$150 from the family member that cashed a check that was returned as non-sufficient, but not turned over to the County Attorney for collection. Once funds are collected, \$16,621 is due to Spencer County Fiscal Court as additional excess fees and \$20,000 is due to the 2011 fee account.

In addition, the County Clerk should also pay with personal funds the \$26,030 that was not deposited in 2009 and turn that amount over to the Fiscal Court as additional excess fees due for 2009.

SPENCER COUNTY
 JUDY PUCKETT, COUNTY CLERK
 COMMENTS AND RECOMMENDATIONS
 For The Year Ended December 31, 2010
 (Continued)

INTERNAL CONTROL - MATERIAL WEAKNESSES: (Continued)

2010-04 The County Clerk Should Eliminate The \$35,962 Deficit In The 2010 Fee Account
 (Continued)

County Clerk's Response: Error was made. Due to lightning hitting our office and damaged all equipment, we were done for 1 week for repairs. Our office paid for all equipment replaced and the labor in which was not in our budget. When all bills was turned in, when the insurance claim was sent to the Counties Insurance Company some of our bills was unaccounted for and was only paid for bills submitted.

INTERNAL CONTROL - SIGNIFICANT DEFICIENCY:

2010-05 The County Clerk Should Improve Daily Receipt Checkout Procedures

During receipts testing, auditor noted that on the daily checkout sheet -

- The total deposit per the daily checkout sheet did not agree to the register recap printed from the accounting system
- One register was not included on the recap summary printed from the accounting system,
- All cash receipts were not deposited or recorded,
- Some daily checkout sheets were not completed,
- Cash overage variances were not documented or explained,
- Daily checkout sheets were not initialed by preparer,
- Yellow receipt register tapes were not being accounted for properly,
- Customers were provided with a copy of the certificate of registration as their only receipt because transactions were not immediately entered into Software Management, the accounting system.

Under the authority of KRS 68.210, the Department of Local Government has established requirements for all local government officials handling public funds. These requirements include "books of original entry for receipts and expenditures and/or utilization of daily cash check-out sheets".

We recommend the Clerk make the following changes to improve controls over receipts and to comply with KRS 68.210 -

- Total deposit per the daily checkout sheet should agree to the register recap printed from the accounting system
- All registers be accounted for on the summary recap from the accounting system,
- All cash receipts be deposited and recorded daily,
- All daily checkout sheets be completed,
- Cash overage/shortage variances should be documented, investigated and explained,
- Daily checkout sheets be initialed by preparer,
- Yellow receipt register tapes should be attached to daily checkout sheet, and
- Transactions should be entered into the computer system immediately and customers issued a receipt along with their copy of the certificate of registration.

SPENCER COUNTY
JUDY PUCKETT, COUNTY CLERK
COMMENTS AND RECOMMENDATIONS
For The Year Ended December 31, 2010
(Continued)

INTERNAL CONTROL - SIGNIFICANT DEFICIENCY: (Continued)

2010-05 The County Clerk Should Improve Daily Receipt Checkout Procedures (Continued)

County Clerk's Response: Some of these things can be done and some cannot.

Auditor Reply: All recommendations above should be attainable by the County Clerk's office.

